

Information Meeting First Half Results 2006



September 4, 2006

■ Agenda:

- ✓ Further growth in H1 (Benoît Potier)
- ✓ Financial results (John Glen)
- ✓ Developing the industrial and medical gases markets worldwide (Benoît Potier)



Further growth in H1

Benoît Potier: Chairman and CEO

Quality performance delivered ...

M€	H1 2005	H1 2006	H1 06/05
Revenue	5,041	5,483	+8.8%
<i>Comparable*</i>			+6.0%
Operating Income Recurring (OIR)	751	807	+7.5%
Net Profit (Group share)	436	480	+10.2%
EPS (€)	3.67	4.00	+9.0%
Funds provided by operations	882	941	+6.6%
Net indebtedness	4,326	3,872	
<i>Average number of shares over the period: 120,143,826</i>			

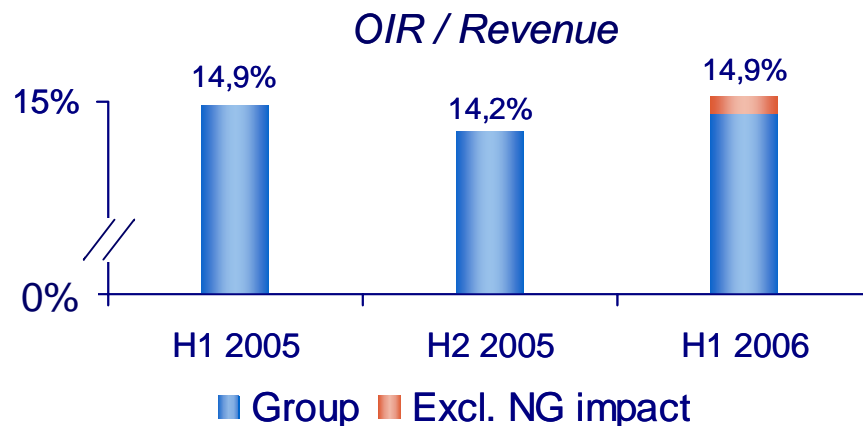
* excluding currency, natural gas and US liquid chemicals de-consolidation

...through profitable growth, and productivity...

■ Good progress in all regions

Group in M€	Revenue	H1 06/05 as published	OIR	H1 06/05 as published
Europe	3,104	+7.9%	552	+9.9%
Americas	1,371	+11.1%	196	+11.3%
Asia-Pacific	913	+8.6%	129	+1.6%
Africa	95	+4.9%	23	+16.8%
R&D, corporate overheads			(93)	+25.0%
Total	5,483	+8.8%	807	+7.5%

■ Sequential improvement in margins back to good level of H1 2005



...and in all business lines

■ Large Industries: 1,473 M€

- ✓ Growth contribution from base
- ✓ Energy cost increases passed through

■ Electronics: 437 M€

- ✓ Good volumes offset price pressure
- ✓ Product mix improvement

■ Industrial Customers: 2,177 M€

- ✓ Positive evolution, mainly in Asia and North America
- ✓ Improved efficiency and better recovery of cost increases

■ Healthcare: 734 M€

- ✓ Strong volume growth
- ✓ Limited pricing power
- ✓ Efficiencies partly offset cost increases

■ Related Activities: 662 M€

- ✓ Good contribution to revenue and profit growth



Financial results

John Glen: Group Finance Director

Income statement *(operational)*

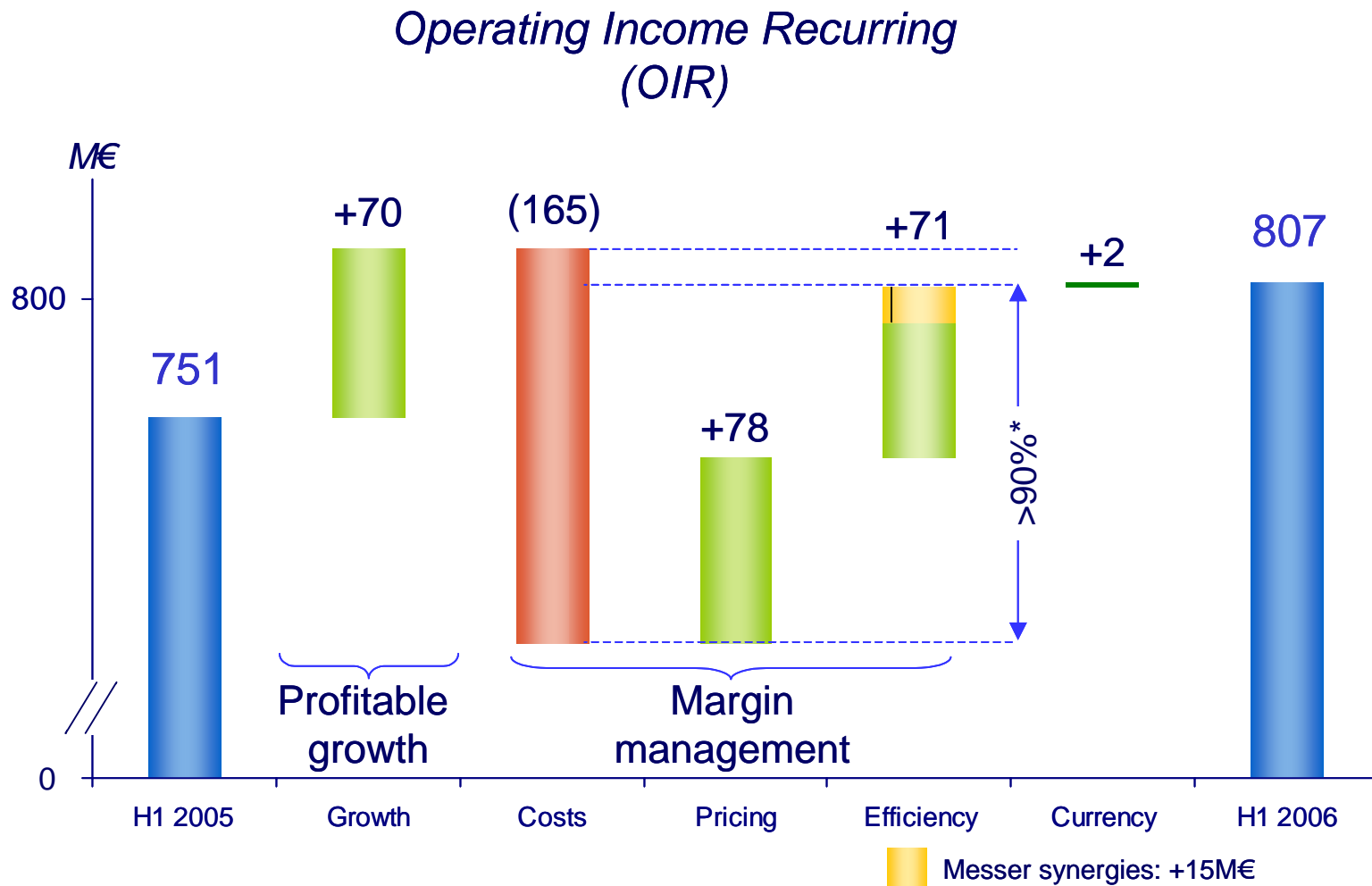
M€	H1 2005	H1 2006	H1 06/05 as published
Revenue	5,041	5,483	+8.8%
Cost of sales and general expenses	(3,851)	(4,212)	+9.3%
<i>Purchases</i>	(1,866)	(2,113)	
<i>Personnel expenses</i>	(918)	(977)	
<i>Others</i>	(1,067)	(1,122)	
Depreciation and amortization	(439)	(464)	+5.7%
Operating Income Recurring (OIR)	751	807	+7.5%

Good margin ratios overall

■ Operating Income Recurring / Revenue

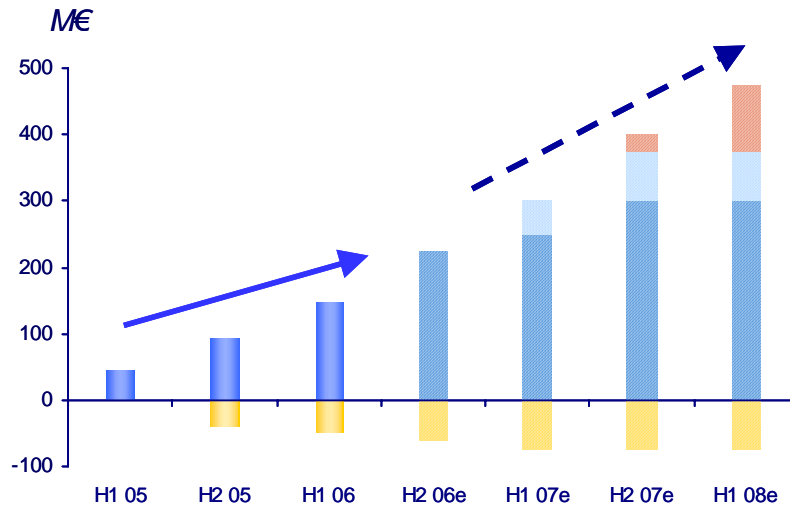
	H1 2005	H2 2005	H1 2006	H1 2006 excl. Nat gas
Group	14.9%	14.2%	14.7%	14.9%
Gas & Services	17.6%	16.7%	17.3%	17.6%

Two major contributors to OIR performance



* excl. natural gas effect

Cumulative OPAL impact



- Industrial productivity
- Acceleration
- Structural benefits
- Implementation costs

- YTD: on target
- Productivity program being reinforced to achieve 400 M€ target by 2007
- Structural benefits will go beyond 2007
- Total restructuring costs estimated 75 M€
 - ✓ 50 M€ already booked
 - ✓ 25 M€ to be charged through 2007

Income statement *(financial)*

<i>M€</i>	H1 2005	H1 2006	H1 06/05
Operating Income Recurring (OIR)	751	807	+7.5%
Other non-recurring operating expenses	23	5	
Operating Income	774	812	+4.9%
Net finance costs	(83)	(78)	(6.0%)
Other net financial expenses	(25)	(21)	
Income taxes	(211)	(212)	
Share of profit of associates	21	14	
Profit before minority interests	475	515	+8.4%
Profit attributable to minority interests	(39)	(35)	
Net Profit (Group share)	436	480	+10.2%

Sources and use of funds

<i>M€</i>	H1 2005	H1 2006
Funds provided by operations	882	941
Changes in working capital	(135)	(192)
Other items	4	(2)
Net cash from operating activities	751	747
Purchase of tangible, intangible and financial assets	(508)	(525)
Proceeds from sale of tangible, intangible and financial assets	62	55
Proceeds from sale of divested activities	26	
Net cash from investing activities	(420)	(470)
Distributions	(441)	(457)
Net cash before financing	(110)	(180)
Increase in capital stock	1	21
Purchase of treasury shares	(35)	(38)
Exchange rate and consolidation scope effect	(170)	64
Change in net indebtedness	(314)	(133)

Balance Sheet

M€

ASSETS	31/12/05	30/06/06	EQUITY & LIABILITIES	31/12/05	30/06/06
Goodwill	2,646	2,626	Shareholders' equity	5,931	5,845
Other intangible assets	386	372	Minority interests	278	273
Property, plant & equipment	8,169	7,912	Provisions & deferred tax liabilities	2,798	2,627
Other non current assets	872	751	Non-current borrowings	3,978	3,877
			Other non-current liabilities	167	156
Total non-current assets	12,073	11,661	Equity & non-current liabilities	13,152	12,778
Inventories	654	723	Provisions	155	152
Receivables & other assets	2,898	2,887	Trade & other payables	2,484	2,331
Cash and cash equivalents*	664	557	Current borrowings*	497	567
Total assets	16,288	15,828	Total liabilities	16,288	15,828

<i>at end of period</i>	31/12/05	30/06/06
IAS 32/39 impact	(117)	(167)
Net indebtedness	(3,740)	(3,872)
Debt to Equity ratio	60.2%	63.3%

























*including fair value of derivatives



Developing the industrial and medical
gases markets worldwide

Benoît Potier: Chairman and CEO

With solid trends in end-user markets, ...

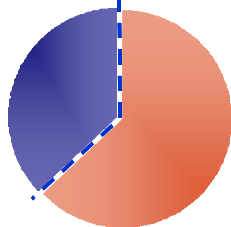
	<i>H1</i>			
	<i>2005</i>	<i>2006</i>	<i>Outlook</i>	
Steel				Strong demand
Chemicals				Cycle to continue
Oil and gas				Crude price drives investment
Electronics				Demand for consumer products
Industrial customers				
Americas				Continuing industrial growth
Asia				Recovery Japan, RoA buoyant
Europe				Improving industrial production trends
Healthcare				Medical care in the home

... our ambition is to grow ...

Industrial Customers

Market growth **+7 bn€** (2012)


Renovation **+2.5% CAGR** Innovation **+5.0% CAGR**



- New liquid capacities in Asia and North America
- Roll out of innovations in all geographies
- Restructuring and renovation in European countries

Large Industries

Market growth

 ■ Energy **+4 bn€** (2025)

 ■ Refinery **+8 bn€** (2012)

- 4 world scale units in construction (Bayport, Antwerp, San Francisco, Rotterdam)
- Strong portfolio of large projects
- Investment opportunities in all major geographies

... in our main business lines ...

Healthcare

Market growth **+4 bn€** (2010)



- Sleep apnea, diabetes treatments at home
- Acquisitions in Northern Europe
- Therapeutic gases, hygiene applications
- Dedicated medical supply chain

Electronics

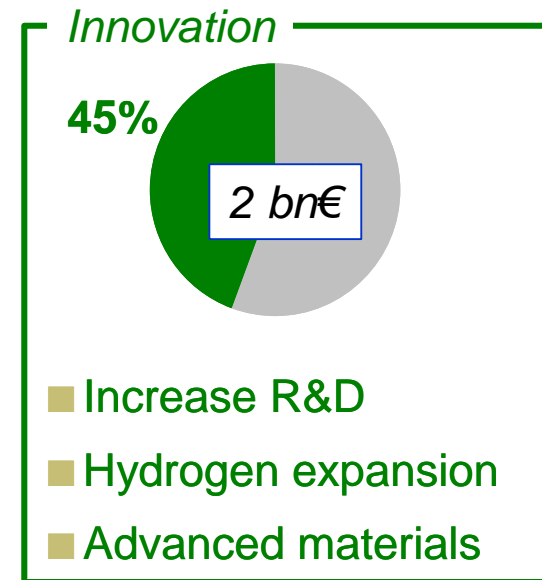
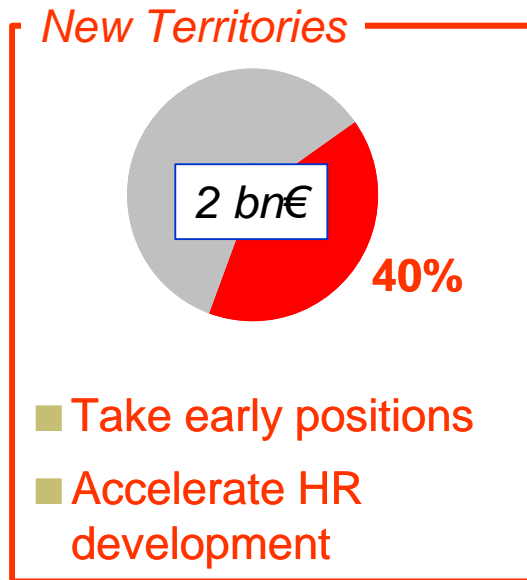
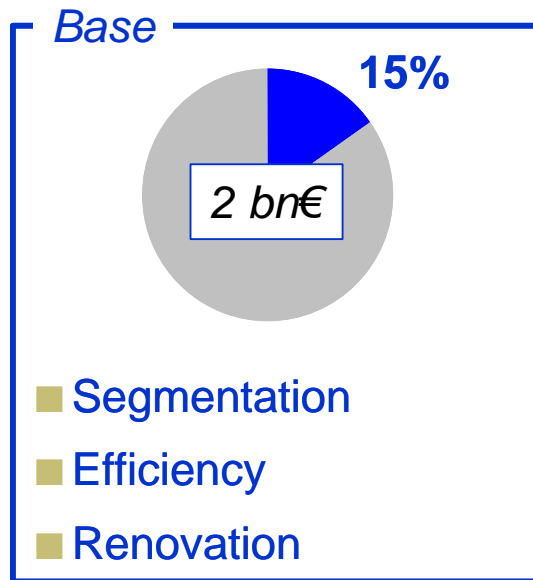
Market growth **+3 bn€** (2010)



- Carrier gases: 12 start-ups, 6 major signatures
- Development of differentiated offers (Jumbo, Aloha, services, equipment)
- Strong success of new offer in advanced materials

...by leveraging our strengths

Portfolio of large investment projects > 2 bn€



- Investments: 11%-13% of revenue to continue to generate strategic growth...
- ...enabled by strong financial structure

“We remain confident and maintain our target for the year of growth in comparable net profit close to that of 2005”

Appendices

Income statement

M€	H1 2005	H1 2006	H1 06/05
Revenue	5,041	5,483	+8,8%
Comparable*			+6.0%
Operating profit before depreciation	1,190	1,271	+6.8%
Depreciation & amortization	(439)	(464)	+5.7%
Operating Income Recurring (OIR)	751	807	+7.5%
Other non-recurring operating expenses	23	5	
Operating Income	774	812	+4.9%
Finance costs	(108)	(99)	(8.1%)
Income taxes	(211)	(212)	
Share of profit of associates	21	14	
Profit before minority interests	475	515	+8.4%
Profit from discontinued operations	-	-	
Profit attributable to minority interests	(39)	(35)	
Net Profit (Group share)	436	480	+10.2%

* excluding currency, natural gas and US liquid chemicals de-consolidation

Sustained cash generation

M€	H1 2005	H1 2006	H1 06/05	H1 06/05 (excl. forex)
Net Profit (Group Share)	436	480	+10.2%	+8.1%
Minority interests	39	35	(11.9%)	(11.0%)
Depreciation	439	464	+5.7%	+4.0%
Changes in deferred taxes	5	19	-	-
Increase (decrease) in provisions	(21)	(35)	-	-
Share of profit of associates (less dividends received)	(2)	1	-	-
Profit on disposal of fixed assets	(14)	(23)	-	-
Funds provided by Operations	882	941	+6.6%	+5.0%

Financial data

	H1 2005	H1 2006
Capitalized financial expenses (M€)	2	5
Tax rate (Air Liquide method) <u>Current income taxes+Deferred income taxes</u> Earnings before taxes – Earnings accounted for by the equity method	31.7%	29.7%
Tax rate (other method) <u>Current income taxes+Deferred income taxes</u> Earnings before taxes	30.8%	29.1%
Average number of shares	118,803,378*	120,143,826

* adjusted for 1 for 10 share issue

Impact of currency conversion

■ Currency impact:

✓ On P&L

Revenue	+1.8%
OI recurring	+1.5%
Net profit (<i>Group share</i>)	+2.1%

✓ On balance sheet

Shareholders' equity:	(158 M€)
Net indebtedness:	(79 M€)

■ Average exchange rates for the period

<i>in €</i>	Q2 05	Q3 05	Q4 05	Q1 06	Q2 06
€/USD	1.26	1.20	1.19	1.20	1.26
€/CAD	1.57	1.47	1.40	1.39	1.41

Operating income recurring by zone

<i>M€</i>	H1 2005	H1 2006	H1 06/05	H1 06/05 <i>(excl. forex)</i>
Europe	502	552	+9.9%	+10.0%
Americas	176	196	+11.3%	+4.8%
Asia-Pacific	127	129	+1.6%	+1.7%
Africa	19	23	+16.8%	+14.2%
R&D centers, corporate overheads	(73)	(93)	+25.0%	+24.9%
Total Group	751	807	7.5%	+6.0%

Major investments for future growth

■ Start-ups in Large Industry, Electronics, and Industrial Customers

	Main* start-ups
Q1 2006	2
Q2 2006	5
Q3 2006	4
Q4 2006	6

■ Investment decisions in 2006

	Main* signatures
Q1 2006	10
Q2 2006	4
Q3 2006e	4
Q4 2006e	Several more expected

* specific investment decisions in addition to normal growth investment and maintenance capex

Capital expenditure by zone

<i>in % of total</i>	H1 2005		H1 2006	
	Investments	Revenue	Investments	Revenue
Europe	61%	57%	56%	56%
Americas	17%	24%	21%	25%
Asia-Pacific	21%	17%	22%	17%
Africa	1%	2%	1%	2%

Non-recurring items

M€

H1 2005		H1 2006	
Restructuring: Welding	(5)	Restructuring: Europe IC	(11)
Profit on disposals	28	Profit on disposals	16
Non-recurring items total	23	Non-recurring items total	5

Number of shares

Average H1 2005*	107,770,070
Key event Public offer for SOAEO shares	
Average 2005*	107,747,742
Key events 1 for 10 share issue New share issue Share cancellation	
Average H1 2006*	120,143,826

* as published

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